



# Update on 2008 Medicaid Transformation

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# Overview

- Brief update on Kansas Medicaid
- KHPA's plan for managing Medicaid in a time of fiscal crisis
  - Identify savings through a comprehensive review of the program
  - Accomplish KHPA's core statutory mission through "effective purchasing and administration of health care"
- Implementing Medicaid Transformation



# Update on Kansas Medicaid



# Kansas Medicaid: Background

- Medicaid is an optional program of federal matching payments for medical and long-term care
  - Federal share is normally about 60%
  - Federal share will rise by 6-9% during 9-quarter stimulus period
- Created along with Medicare in 1965
- Lots of federal strings attached
- Over half of Kansas' program is "optional"

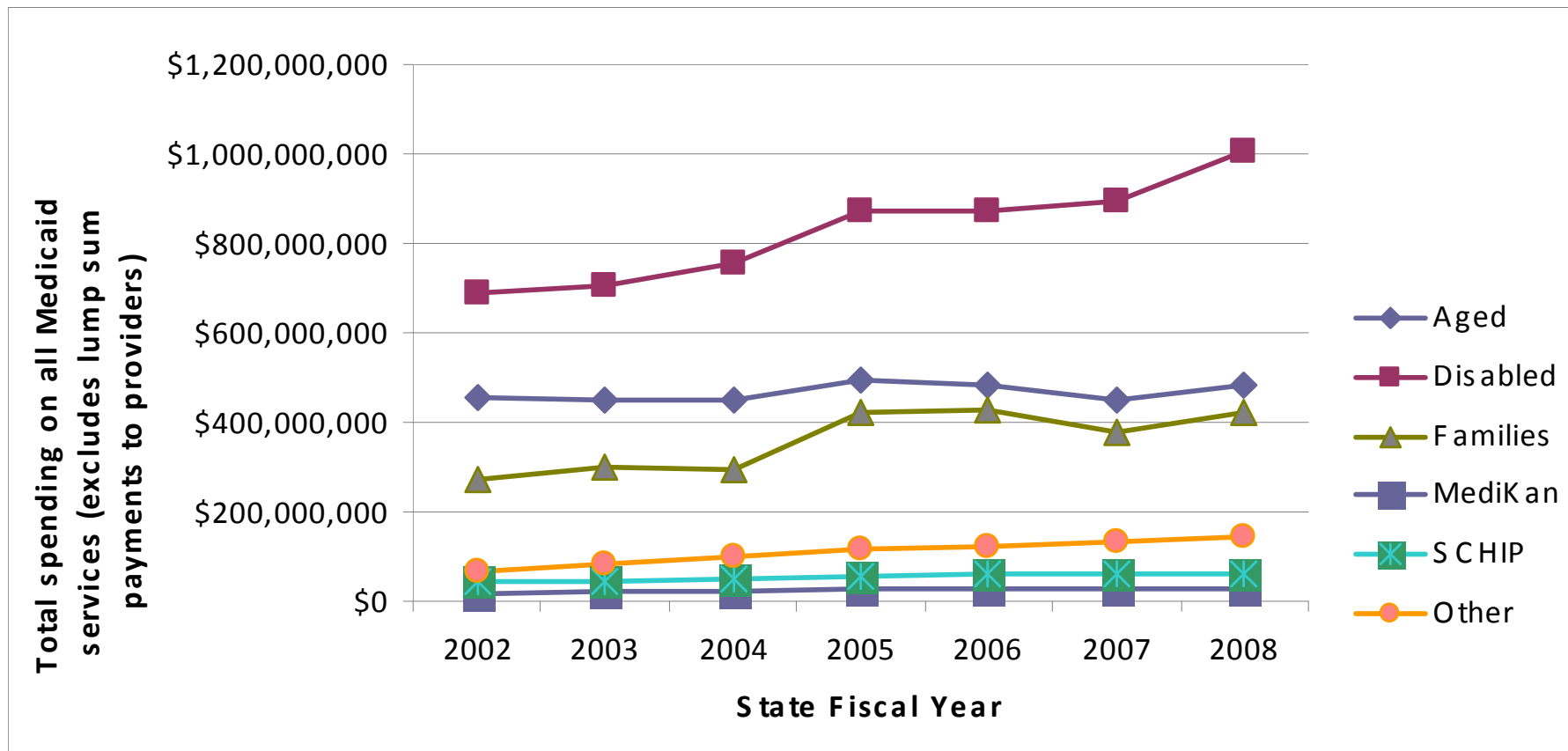


# Kansas Medicaid: Reducing Cost Growth

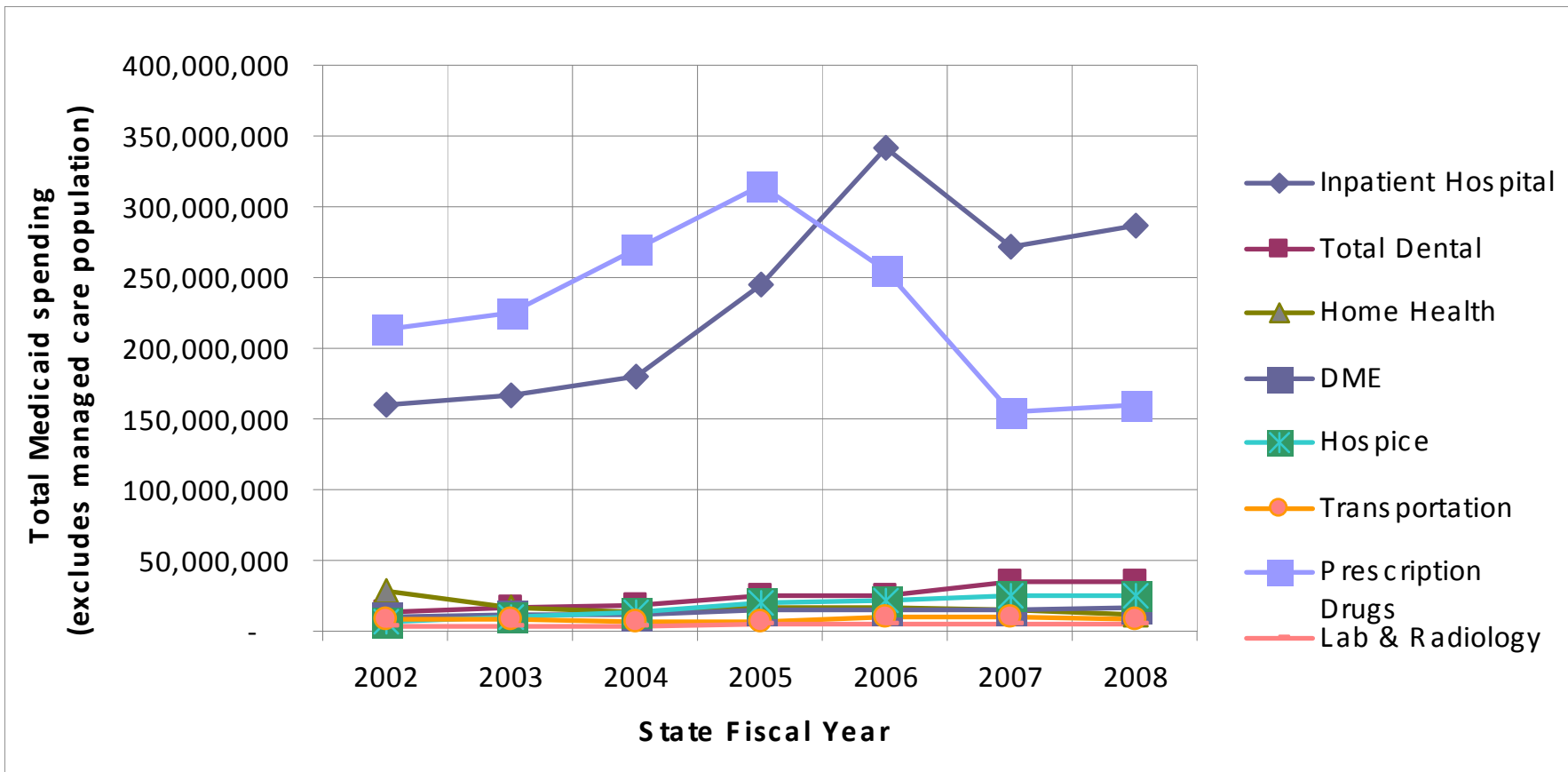
- \$2.5 billion in FY 2009 (all funds, all agencies)
  - KHPA Medicaid programs account for \$1.3 billion
- *Historic growth of about 8.5% FY 1999-2009*
- *Recent growth of 3% FY 2004-2009*
- Projected annual growth of 5.5% in FY 2009
  - Enrollment growth of 2.2%
  - Costs per person up 3.2%

**\*\*\*Does NOT project impact of economic downturn**

# Kansas Medicaid: Spending by Population



# Kansas Medicaid: Spending by Service





# KHPA Medicaid “Successes”

- Improving “program integrity” and resolving federal disputes
  - *Resolution of Federal audits and deferrals*
- Adding competition to HealthWave through new contracts
  - *Rapid implementation of expanded managed care*
- Saving administrative dollars through smart reforms
  - *Conversion to standard ID cards*
- Expanded web-based services for beneficiaries
- Improving reimbursement for providers
  - *Additional federal dollars for KU School of Medicine in KC & Wichita*





# KHPA Medicaid “Successes”

- Improving reimbursement for safety net clinics
  - *Approved state plan amendment increases Federally-matched Medicaid payments by \$575,000 per year*
- Successful Medicaid Buy-In program to keep individuals in the workforce
  - *Working Healthy Program is a national model*
- Improving payments to hospitals that treat the low-income
  - *Disproportionate Share Hospital Payment (DSH) payment reform*
- Helping those applying for federal disability to get services with more federal dollars
  - *Implementing “Presumptive Medical Disability”*



# Kansas Medicaid: Key Challenges

- **Short run challenges**
  - *Steadily rising costs*
  - *Immediate need for savings*
  - *Major gaps in coverage*
  - *Address questions about program integrity*
- **Long-run challenges**
  - *Emphasize prevention and wellness*
  - *Address health costs*
  - *Increase quality of care*
  - *Ensure access*
  - *Engage stakeholders and expand ownership of the Medicaid program*



# The Medicaid Transformation Process



# Transforming Medicaid: KHPA Objectives

- Comprehensive, written, data-driven review of the program to:
  - Improve cost-effectiveness
  - Achieve savings
  - Develop and apply policy goals
  - Increase program integrity
- Disciplined management through the program review process



# Transforming Medicaid: Comprehensive Program Reviews

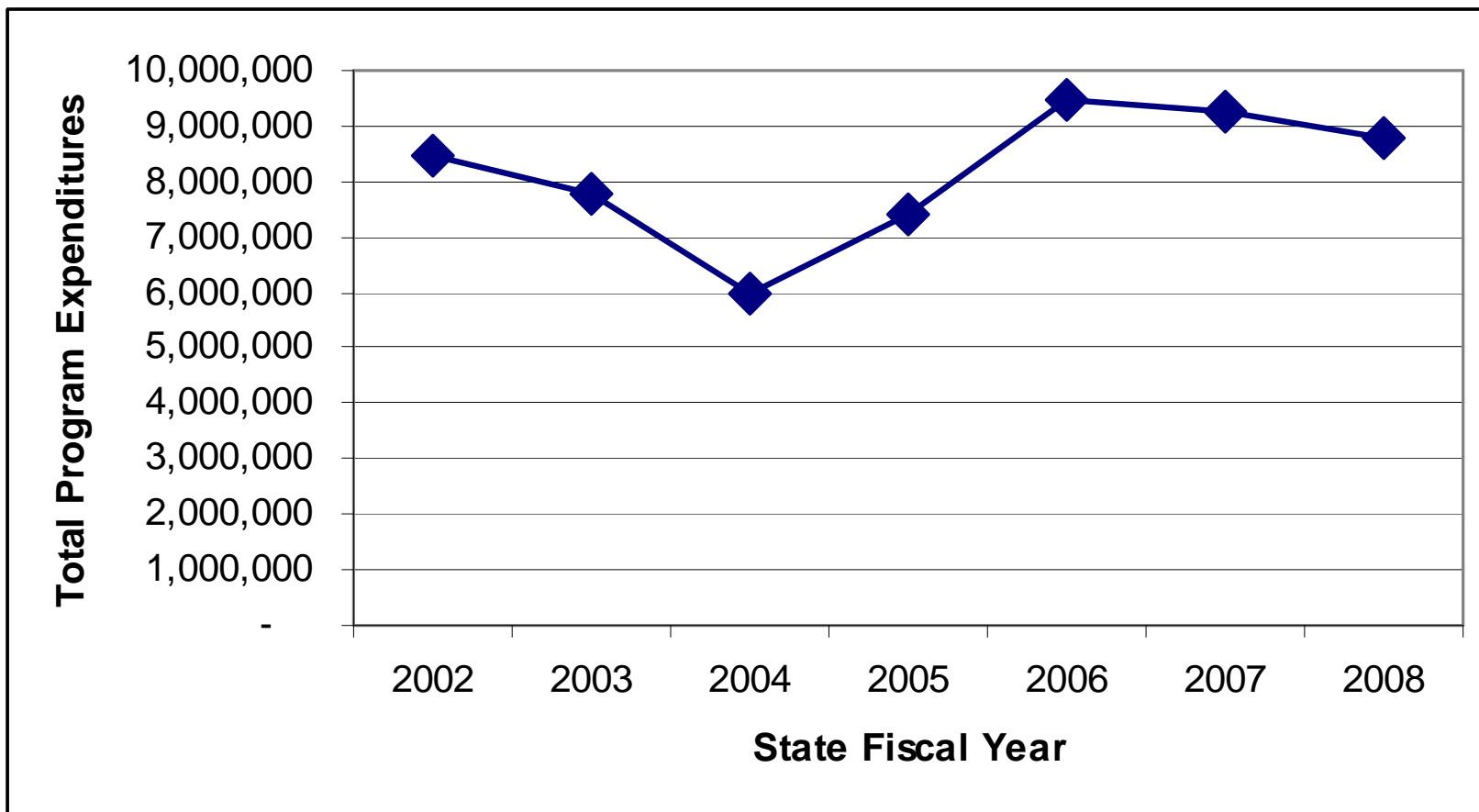
- Evaluations by program staff, reviewed by senior management, approved by KHPA Board, published on-line
  - Over 40 staff directly involved in review teams
- 14 reviews completed in 2008
  - 8 specific services
  - 2 populations
  - 2 managed care programs
  - 2 over-arching reviews



# Transforming Medicaid: 2008 Reviews

- Roadmap for data driven Medicaid reform and cost efficiencies
  - Over 300 pages of description, data, analysis, and recommendations
- Program recommendations and budget savings
  - Initiatives for FY 2009-2010 Budget
  - Administrative initiatives
  - Legislative initiatives
- Areas for further study, management, and policy development

# 2008 Transformation: Recent decline in transportation spending





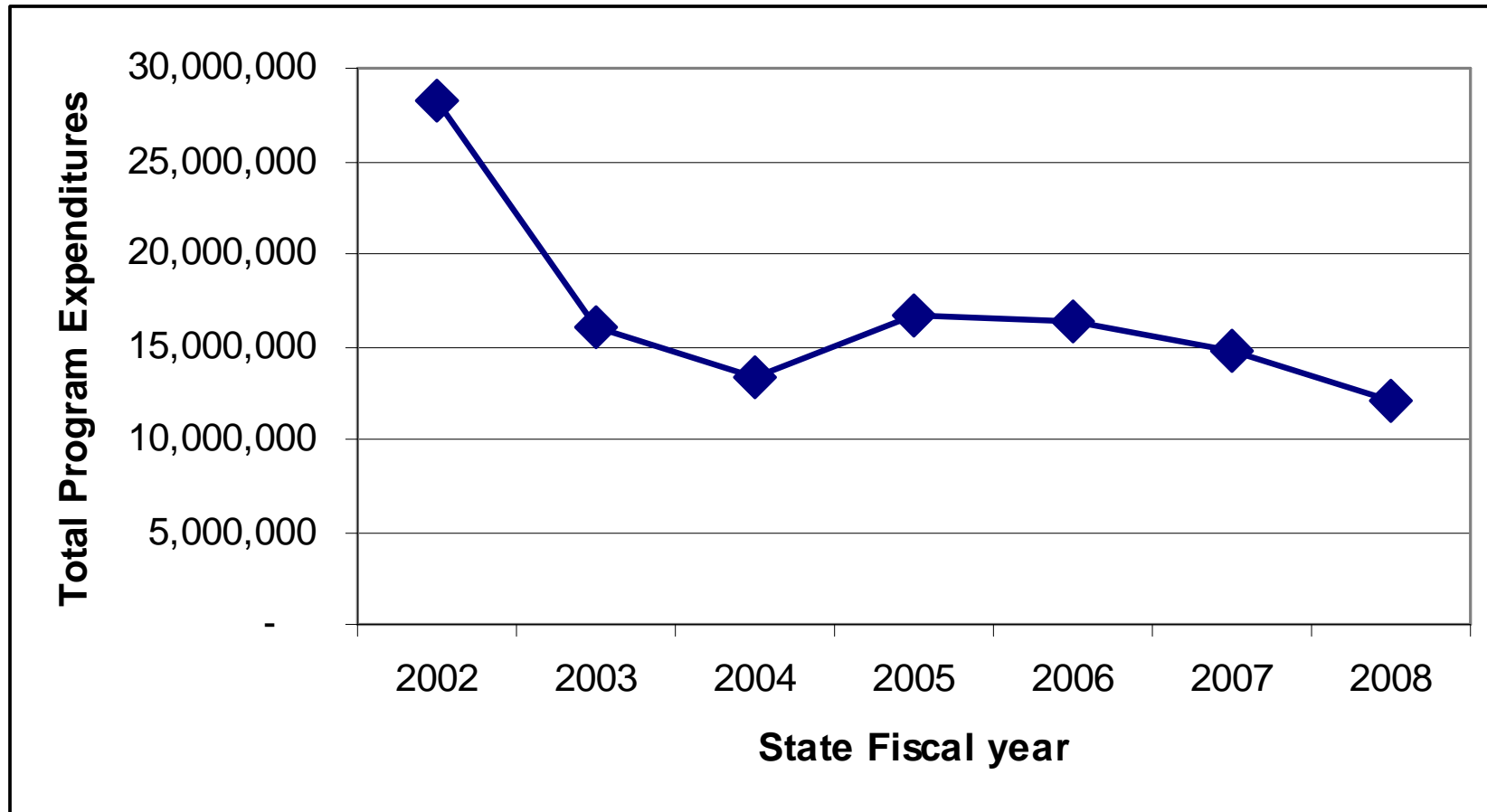
# 2008 Transformation: Improving payment accuracy in transportation

- Tighter policies have lowered costs and improved integrity of transportation services
  - *but program remains vulnerable*
  - *management resources are limited*
- Recommendation: Shift to an outsourced, competitive, pre-paid program
  - *guaranteed savings*
  - *added capacity for oversight*
- Update: RFP is headed for Department of Administration tomorrow





# 2008 Transformation: Extended decline in home health spending





## 2008 Transformation: Improving home health payments

- Tighter program management has reduced spending on home health services
  - *but program policies allow for over-use*
  - *care should be better focused on addressing chronic disease*
- Recommendation: Remake payments to match the level of service and promote the medical home

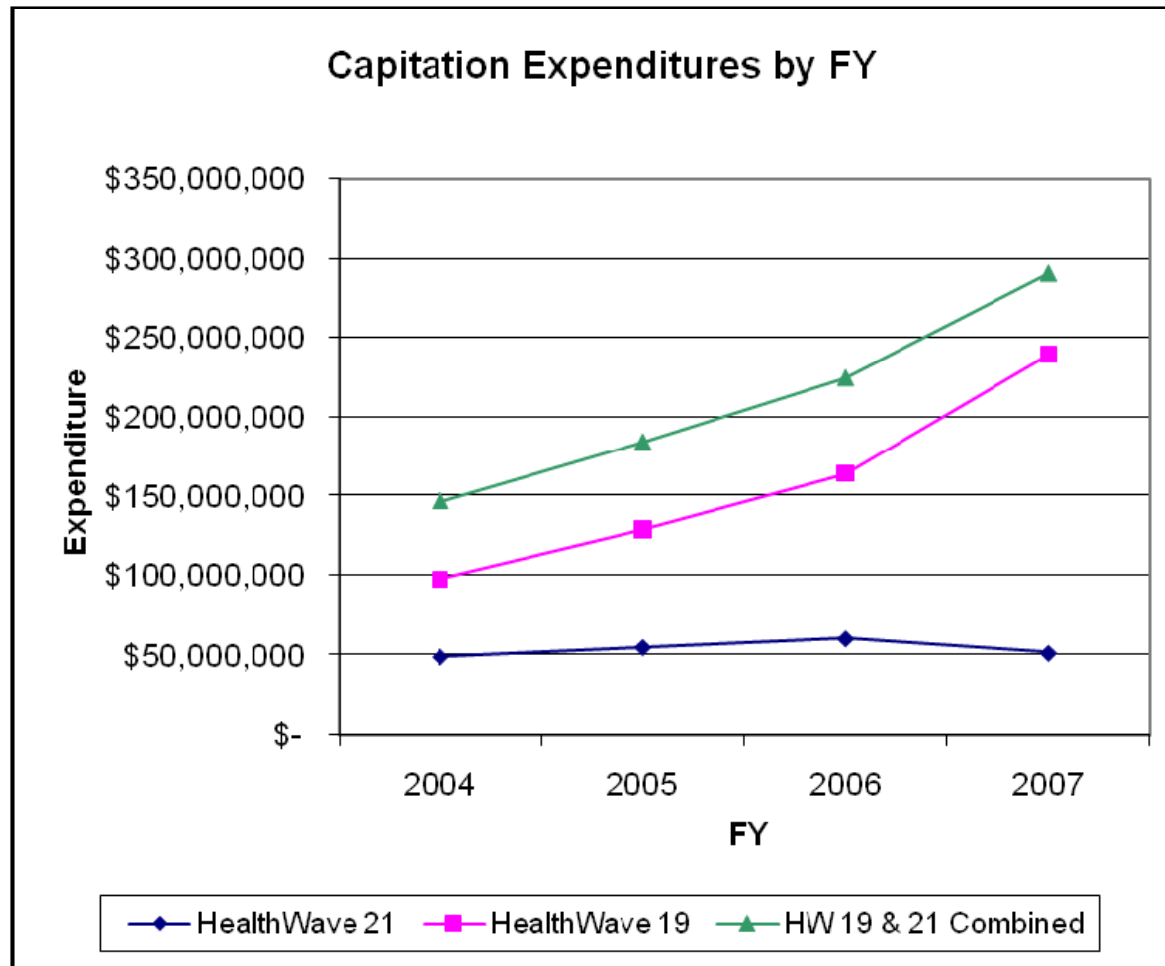


# 2008 Transformation: Improving home health payments

## – Specific recommendations:

- Limit home health aide visits to two per week, with additional visits through prior authorization
- Develop separate acute and long-term home health care benefits with differential rates
- Consider applying the medical home concept by developing a tool for Medicaid home health providers to apply best practices in the care of chronic diseases
- Work with the Department of Social and Rehabilitation Services to improve coordination of services with community mental health centers

# 2008 Transformation: Expansion of HealthWave





# 2008 Transformation: Improving quality of care in HealthWave

- Expansion reduced per-person costs
  - *Competitive bids lowered managed care fees in 2007*
  - *Further reduction in rates of approximately 1% in FY 2009 due to actuarial adjustments*
  - *But the impact of managed care on beneficiaries has not been addressed*
- Recommendations:
  - Improve quality and competition through routine publication of quality and plan performance data
  - Expand SCHIP to 250% of poverty when federal funding is assured



## 2008 Transformation: Update on HealthWave recommendations

- KHPA published HealthWave quality and satisfaction data for the first time in January 2009
- Administrative and survey results available at [www.khpa.ks.gov](http://www.khpa.ks.gov) comparing:
  - UniCare versus Children's Mercy Family Health Partners
  - HealthWave managed care versus KHPA's primary care case management program (HealthConnect)
- Performance data to be published this year



# Summary of 2008 Medicaid Transformation Recommendations

- Budget and administrative actions saving \$17 million (SGF) in SFY 2010
  - Outsource transportation services
  - Restructure and limit home health services
  - Scrutinize payments for new medical equipment
  - Improve pharmacy management and pricing
  - Additional long-term program improvements
- Overall savings of \$33 million in SFY 2010



# Transforming Medicaid: Observations

- Comprehensive approach is imperative
  - But also difficult, disruptive, and time-consuming
- Creates accountability and improves policy-making
  - Lays bare what we know
  - Presents an alternative to speculative Medicaid reforms based on anecdote
- Grounds KHPA recommendations in data and documented experience
- Defines Transformation as a process





# Transforming Medicaid: Next steps

- Program reviews are already well underway for 2009, with several new topics:
  - Physician services
  - School-based services
  - Therapies
  - Family planning services
  - Services provided by out-of-state providers
  - KHPA Medicaid operations and program integrity
  - Medicaid mental health services (SRS)
  - Medicaid funding of health clinics (with KDHE)
- Recommendations to Board in June 2009

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<http://www.khpa.ks.gov/>